

**THE UNIVERSITY OF MANCHESTER**  
**FINANCE COMMITTEE**

**Minutes of 17 June 2020**

***due to the Coronavirus (COVID-19) Pandemic the meeting took place by video-conference***

**Present:** Dr John Stageman (Chair), Mr Edward Astle, Professor Steve Jones, Mr Kwame Kwarteng, Dr Neil McArthur, Professor Dame Nancy Rothwell and Mr Richard Solomons.

**In attendance:** Louise Bissell (Head of Tax and Financing), John Cunningham (Director of Finance) Professor Luke Georghiou (Deputy President and Deputy Vice-Chancellor), Patrick Hackett (Registrar, Secretary and Chief Operating Officer), Ms Caroline Johnstone (incoming Chair of Finance Committee), Chris Trask (Deputy Director of Finance) and John Marsh (Senior Governance Manager) (minutes).

**In attendance for Capital Programme Update:** Diana Hampson (Director of Estates and Facilities).

**1: Welcome and Declarations of Interest**

**Noted:**

- a) Finance Committee welcomed Steve Jones to his first meeting. Steve had been appointed to the committee in his capacity as an academic staff member of the Board of Governors;
- b) that no new declarations of interest were made to the following:

<i>Dr John Stageman</i>	<i>Chair of Trustees, LifeArc Chair, CELS/BioNow Ltd Member of MRC Translational Medicine (CiC) Committee; InnovateUK Chair of Major Awards Committee Biomedical Catalyst. Chair, CRUK Drug Discovery SAB, Newcastle University Retired Research &amp; Development VP, AstraZeneca plc</i>
<i>Mr Richard Solomons</i>	<i>Advisor, Ennismore International Management Ltd Chairman Rentokil Initial plc</i>
<i>Mr Edward Astle</i>	<i>Chair, UpReach Non-Executive Director and Chair of the Audit, Risk &amp; Compliance Committee, Openreach</i>
<i>Professor Dame Nancy Rothwell</i>	<i>Co-Chair, Council for Science and Technology Member of Greater Manchester Local Enterprise Partnership Chair, Corridor Manchester Deputy Lieutenant, Greater Manchester Lieutenancy External Consultancy, GSK Member of Northern Powerhouse Partnership Board Member of National Council, The Academic Study Group Participation in evaluation of the scientific quality of clinical research in Sweden (2012-15), Swedish Research Council</i>

*Patron, Support and Help IN Education (SHINE)  
Board member/Trustee, UK Dementia Research Institute  
Director, Russell Group  
Member, Cancer Research UK  
Member, UK Industrial Strategy Council*

*Mr Patrick Hackett*

*A number of directorships in the University of Manchester  
companies as required to ensure appropriate governance*

## **2 Minutes of 6 May 2020**

**Agreed:** to approve the minutes of the May 2020 meeting subject to the addition of the following actions:

- a) Finance Committee to receive the business case for the Pankhurst Project;
- b) noting concern from members regarding the governance of new ventures that lay outside of mainstream University activity, and governance and reputational aspects of mainstream activities which involved external partners, and informed by the CUC Code of Higher Education Governance, to establish a structured governance and approval framework for such ventures. **Action: Registrar, Secretary and Chief Operating Officer**

## **3 Matters Arising/Action Log**

**Noted:** the Matters Arising Update.

## **4 Capital Programme Update**

**Received:** the June 2020 Capital Programme Update.

**Noted:**

- a) Estates and Facilities would continue to work with Safety Services to identify appropriate local interventions where required to ensure the safety and functionality of the Chemistry building;
- b) that the external review of Chemistry [REDACTED] **Redacted – Restricted Information** was continuing, and its final report was awaited;
- c) the impacts of the Pandemic on MECD had stabilised, and the main contractor had increased its personnel on site. A communication confirming the deferral to September 2022 of the occupation of the site had been issued via StaffNet;
- d) mediation regarding the legal case for University Place had been scheduled for 23 June 2020;
- e) any major challenges presented by the University's deferral of LTM spend would be brought to the attention of Finance Committee;
- f) a series of reviews were being undertaken to reduce the Paterson project's construction cost, which was currently significantly over budget. Opportunities for VAT recovery were also being evaluated. Demolition work at the site had been completed, and enabling work was in progress. Delays to the project were likely to increase the length of time that the Alderley Park site needed to be used, and negotiations with Alderley Park were in progress, as were moves to Oglesby and the University campus.

## **5 Management Accounts: May 2020**

**Received:** the May 2020 Management Accounts.

**Noted:**

[REDACTED] – **Restricted Information**

- b) a substantial proportion of the favourable variance was due to the one-off impact of the Pandemic in reducing current expenditure;
- c) clarification was being sought regarding financial reporting requirements for support received from the Coronavirus Job Protection Scheme.

**Agreed:** that it would be helpful for Finance Committee to receive trend data for the research funding pipeline. **Action: Director of Finance**

## **6 Forecast Outturn 2019/20 Period 10 – May 2020**

**Received:** the Period 10 Forecast Outturn.

**Noted:**

[REDACTED] **Redacted – Restricted Information**

- b) the narrative for the 2020 Financial Statements would note key risks and uncertainties regarding the University's financial position, which included USS pensions, contractual obligations, under-utilisation of assets, bad debt provision, and projects which may require cost write-off;
- c) the University Voluntary Severance Scheme had received [REDACTED] **Redacted – Restricted Information** applications to date;
- d) monthly forecasting could facilitate the identification of stress points in the University's financial position, and a rolling forecast of the University's cash flow would provide members with enhanced clarity regarding key implications, risks and themes for consideration. Members suggested that 6 month and 36 month cashflow projections would be especially helpful, together with stress testing of scenarios for 30/45 of days operating expenditure; **Action: Director of Finance**
- e) Senate had received a briefing on the University's finances, which would also be delivered to the wider staff community via a SLT Open Meeting;
- f) that it would be helpful to enter into early dialogue with the University's Independent Auditors regarding the 2020 Financial Statements, and the University's Going Concern status.

## **7 Report of the Director of Finance**

**Received:** the report of the Director of Finance.

**Noted:** an update regarding North West E Health (NWEH).

**Agreed:**

[REDACTED] **Redacted – Restricted Information**

- c) to delegate authority to the Chair of Finance Committee should there be any further developments requiring a University decision with regards to [REDACTED] **Redacted – Restricted Information** between Committee meetings.



## 8 Budget 2020-21 and Financial Plan/Financing Strategy

**Received:** an update on progress in the development of the budget and planning for future years.

**Noted:**

- a) University budget areas were working up plans to deliver a minimum **Redacted – Restricted Information** cost reduction (base case) through to **Redacted – Restricted Information** savings (worst case) in the planning period beyond the 2020/21 budgetary year;
- b) budget development activity had also been informed by the University's pre-Pandemic, longer term objective of reinforcing its financial resilience and sustainability;
- c) in discussion, that the following would be helpful:
  - i. A baseline budget for 2020/21 that included a realistic assessment as to the level of mitigations that could be delivered in that year as a result of any material reduction in income as modelled in the scenarios;
  - ii. A roll forward of that baseline to inform, along with specific assumptions and plans for those years, indicative forecasts for FY 2021/22 and FY 2022/23;
  - iii. Cash flow Forecasts, cash and liquidity levels and debt position;
  - iv. Sensitivities, risks and uncertainties for the scenario used for planning, which could be tested in terms of financial risk assessment;
- d) potential beneficial aspects of the current macro-context could include:
  - i. increased Home UG and PGT recruitment;
  - ii. the possibility of increased UK Government funding which would help establish research activity to a more sustainable basis.

**Agreed:**

- a) noting the complexity of the current global economic and financial situation, to receive a baseline budget proposal at the July 2020 Finance Committee meeting for endorsement to the July 2020 Board of Governors meeting;
- b) that formal approval of the 2020-21 budget by the Board of Governors be deferred to Autumn 2020, once student numbers for 2020-21 were known, which would in turn inform the Annual Finance Return to the OfS;
- c) to develop a three year rather than a five year plan in support of the baseline budget, noting that new assumptions were likely to be needed regarding its outer years;
- d) that budget proposals should not compare against previous budgets, but rather against actuals and the scenarios presented;
- e) the final budget and financial plan presented in Autumn 2020 to also include high level longer-term data and issues, and a medium-term consideration of key strategic themes identified by SLT.

## 9 Update on Loan Financing Strategy

**Received:** an update on the University's Loan Financing Strategy.

**Noted:**

- a) an update on the University's application to the Coronavirus Corporate Financing Facility (CCFF). The Bank of England had informed the University that it would be consulting with the European Central Bank (ECB) in their capacity as the competent authority to monitor implementation of the Monetary Financing Prohibition which sought to ensure that the facility was not used to fund public authorities;
- b) an update on the University's activity to establish a Revolving Credit Facility (RCF). Discussions with the University's bank were ongoing;



**Redacted – Restricted Information**

- d) further options for the University could include accessing the Coronavirus Large Business Interruption Loan Scheme (CLBILS), Debt Capital Markets (DCM), and the prospect of a UK Government bespoke loan scheme for the HE sector.

**Agreed:** to support all options currently being explored by the Finance Directorate regarding the University's loan financing strategy, and specifically:

- a) to encourage the strategy being progressed at pace given the broad economic and financial context at present;
- b) to invest in consultancy support if required, and to utilise the University's Trusted Advisor;
- c) the following recommendations outlined in the paper:
  - i. to review the range of options further, taking specialist advisory and legal support, in order to determine the optimal route to take to secure sufficient liquidity headroom for the five year planning period, taking full account of potential future downside risk;

**Redacted – Restricted Information**

- iii. to finalise the options to progress by the time of the next Finance Committee (17 July) and Board meeting (22 July), with Chairs Action in advance of those meetings if required.

## **10 Restructure and Unlocking of Endowments**

**Received:** a series of recommendations and approval requests regarding the restructure and unlocking of endowment funds.

**Noted:**

- a) the progress made with regards to, and recommendations of, Total Return;
- b) details of those funds which were being excluded from any form of restructure (other than the adoption of Total Return for the permanent endowments);
- c) the proposed timeline of future activity to restructure and unlock endowments;
- d) that further proposals regarding the **Redacted – Restricted Information** would be presented to July 2020 Finance Sub-Committee;
- e) that the University's Trusted Advisor could provide independent advice;
- f) support for the proposal that a RPI adjustment be added to the original capital balance on an individual fund basis in order to protect against historic inflation and volatility, and a suggestion that this is reviewed over a longer timeframe;
- g) learning from peer institutions could inform the development of proposals;
- h) the importance of effective internal communication and messaging which clarified aspects of the governance of endowments, legal and regulatory requirements the University must comply with, and the responsibilities of the Board of Governors as trustees.

**Agreed:**

- a) to approve that the University moves to the next stage of the project which would include taking appropriate independent legal and financial advice regarding the proposals and recommendations within the Total Return paper (Appendix 1);

[REDACTED]  
[REDACTED] **Redacted – Restricted Information**

- c) that the governance process as regards the operation and oversight of the capital unlocked as a result of the adoption of Total Return, [REDACTED] **Redacted – Restricted Information** and those funds that are being excluded from any form of restructure, needed to be considered further. In the interim any potential use of unlocked funds should follow the same principles as set out in the Merged Endowments Funds Spending Policy and that this spending policy is extended to capture all funds, noting that further work on the practical implementation of this and communications would be undertaken over the coming months.

## 11 Interim Adjustments to Financial Procedures

**Received:** adjustments to University Financial Procedures to help control expenditure during the Coronavirus (COVID-19) Pandemic.

**Noted:**

- a) periodic updates on Financial Procedures would continue to be presented to Finance Committee;
- b) that it would be helpful to:
  - i. focus on costs presented by 'soft' financial savings as the University site was gradually re-occupied;
  - ii. review delegations of authority regarding Financial Procedures, while retaining Finance Committee's role as the recommending body to the Board of Governors.

**Agreed:** to approve the adjustments detailed in the paper.

## 12 Manchester Graphene Company (MGC)

**Received:** the main business plan for Manchester Graphene Company together with the proposal to establish MGC as a new University subsidiary, after which the current vehicle, Graphene Enabled Systems Ltd would be wound up.

**Noted:**

- a) an update on progress since the May 2020 Finance Committee, and in particular, confirmed interest from [REDACTED] **Redacted – Restricted Information** private investors, and an agreement in principle with Manchester City Council for their stake in the organisation;
- b) MGC would provide the wider investor community with access to opportunities provided by University research;
- c) in response to a query regarding the prospects, and potential risks, of MGC as a public-private partnership, Finance Committee was advised that the model for MGC was scalable, and that it was anticipated the company would be self-financing.

**Agreed:**

- a) to approve the formation of MGC as a new subsidiary, and the winding up of the current vehicle: Graphene Enabled Systems Ltd. The decision to be reported to the Board of Governors;
- b) to receive a briefing note describing the proposed University governance framework and obligations in regard of the MGC and the other questions raised in discussion..

**Action: Deputy President and Deputy Vice-Chancellor**

### **13 Any other urgent business**

**Noted:** that scheduling an additional Finance Committee meeting during summer 2020 would facilitate a contribution by the Board of Governors to the USS consultation with UUK regarding the 2020 valuation.